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PRODUCTION COSTS IN RUMANIAN INDUSTRY

Probleme Economice,  
Bucharest, Oct 1954

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Each one-percent reduction in production costs in Rumanian industry in 1953 represented a saving of 220 million lei. As production increases in 1954 and 1955, production costs will decline correspondingly. From 1950 to 1952, over-all production costs dropped from 3 to 6 percent.

One of the best methods of reducing costs is to conserve raw materials, fuel, and power. For example, the 8 Mai Shoe Plant in Medias saved 2,200 kilograms of sole leather during the first 7 months of 1954. This amount provides leather sufficient for the soles of 5,000 pairs of shoes above the plan and also an additional 91.5 square meters of leather, sufficient for 7,000 pairs of shoes. By saving raw materials, the 8 Mai Plant was able to save 110,000 lei.

Another method of reducing production costs is to replace vital raw materials with less expensive or more easily obtainable substitutes. For instance, by replacing imported kaolin with domestic kaolin, the Electroceramica electrical equipment plant saved 106,000 lei in the second quarter 1954. Similarly, by substituting pressure rings made of fiber board for those formerly made of "pentinax" and used in the production of transformers, the Electroputere electrical equipment plant saved 305,000 lei in the first half of 1954.

A third method of reducing production costs is to use scrap materials. For example, the Clement Gottwald Plant used scraps from its milling machine shop to produce blades for lathes, thereby saving 18,450 lei. Many other plants, however, failed to limit the amount of their scrap. In 1953, the Semanatoarea agricultural equipment plant discarded 2.14 percent of its raw materials, whereas in 1952, it discarded only 1.29 percent. This fact contributed to a rise of 545,000 lei in production costs during 1953.

A fourth method of reducing production costs is to apply the latest and most improved technological methods. A fifth method is to reduce the numbers of rejects. In 1953, enterprises under the General Directorate of Machine Building and Industrial Equipment Industry lost a total of 10 million lei because of excessive rejects. A good example is the Mao Tse-tung Plant, which increased its rejects from 2.5 percent in 1952 to 4.8 percent in 1953.

Still other methods of reducing production costs are reduction in the consumption of power and fuel, increase in labor productivity, reduction of unauthorized factory expenses, and others. Some plants, such as the Unio plant in Satu Mare, are maintaining too many extra employees on its payroll, while other plants spend most of their funds on fines. Good examples are the Bucharest slaughterhouse, which was fined 1,109,000 lei; the Filimon Sirbu Plant, fined 520,000 lei; and the IFET (Intreprinderile Forestiere de Exploatari si Transporturi, Forestry Enterprises for Exploitation and Transportation) plant in Toplita, fined 837,000 lei.

Increase in labor productivity; improved production methods; savings of materials, fuel, and power; and reduction of factory expenses all contribute to a reduction in production costs. Cost levels differ widely from one branch of industry to another as is shown in the following table of 1952 production costs:

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<u>Cost Factors</u>	<u>Coal Industry</u>	<u>Metals Industry</u>	<u>Light Industry</u>	<u>Food Industry</u>
Raw materials and equipment	23.6	62.5	73.0	81.6
Fuel and power	10.9	6.0	3.1	2.9
Salaries and bonuses	41.6	17.4	14.2	7.3
Amortizations	15.9	7.3	4.2	3.2
Other expenses	8.0	6.8	5.5	5.0
	100.0	100.0	100.0	100.0

As seen from the above, the cost of materials and equipment in the coal industry is much lower than that of salaries. On the other hand, the cost of materials and equipment in light industry is much higher than the combined total of all other expenses of that industry. In view of such evidence, primary emphasis must be placed on the reduction of those expense items which constitute the largest portion of the production costs in any industry.

To attain systematic cost reduction, emphasis must also be placed on a reduction of the remaining expense items in each industry.

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